

Message Text

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ORIGIN EB-07

INFO OCT-01 EA-07 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

OMB-01 DODE-00 DOTE-00 FMC-01 CG-00 OFA-01 DLOS-04

AID-05 XMB-02 L-03 /058 R

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P 292238Z OCT 75

FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

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E.O. 11652:N/A

TAGS:ETRD, RP

SUBJECT:COTTON CONTRACT PROBLEM

REF: A. MANILA 14211 B. MANILA 14743 C. MANILA 15044

1. U.S. SHIPPERS ARE WILLING TO DISCUSS ARRANGEMENT TO STAGGER SHIPMENTS TO LIRAG. HOWEVER, LIRAG HAS NOT RAISED ISSUE WITH ANY SHIPPERS CONCERNED, AND MRS. RAYES BELIEVES LIRAG INTENDS FOR USG TO ACT AS INTERMEDIARY IN ARRANGING NEW DATES. REQUEST EMBASSY INFORM DBP THAT U.S. SHIPPERS ARE WILLING TO DISCUSS SHIPPING DATES, BUT, DEPENDING ON LIRAG'S SPECIFIC REQUESTS, ISSUE OF CARRYING CHARGES MAY WELL ARISE. IF LIRAG PREFERS TO COORDINATE SHIPMENTS, MILL (OR DBP) MAY WISH TO DEAL DIRECTLY WITH ACEA LAWYER, VICTOR FRIEDMAN.

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WE PREFER USG AVOID INTERMEDIARY ROLE IN THIS CASE IF

POSSIBLE. WE HAVE URGED SHIPPERS TO BE FORTHCOMING IN MEETING LIRAG'S NEEDS.

2. NEW ORDER OF PRIORITY FOR OPENING L/C'S PRESENTS MORE DIFFICULT PROBLEM OF DIFFERENT NATURE. L/C PRIORITIES WERE SPECIFIED BY ASSURANCES IN EFFORT TO AVOID MILLS PLAYING ONE SHIPPER AGAINST ANOTHER AND TO AVOID NEED TO NEGOTIATE PRIORITIES WITH EACH MILL. NEVERTHELESS, WE

HAVE DISCUSSED REQUEST WITH SHIPPERS' REPRESENTATIVES IN DETAIL AND AT LENGTH, URGING UPON THEM THE MERITS OF AS MUCH FLEXIBILITY AS POSSIBLE.

3. CONCLUSION OF THESE DISCUSSIONS WAS THAT, WHATEVER REASON FOR REQUESTS, SUCH AS THESE, IF SEVERAL SHIPPERS ARE INVOLVED, CHANGES IN PRIORITIES ARE INVARIABLY COMPLEX AND USUALLY IMPOSSIBLE. SUCH CHANGES POSE PROBLEMS NOT ONLY FOR SHIPPERS WHOSE CONTRACTS ARE PASSED OVER BUT ALSO FOR SHIPPERS WHOSE CONTRACTS ARE GIVEN PRIORITY. SUSPICION WILL ALSO EXIST THAT INSIDE DEALS BETWEEN MILL AND ONE OR MORE SHIPPERS ARE BEHIND CHANGE. IF PRICE IS BASIS FOR CHANGE, SHIPPERS WITH HIGHER PRICED CONTRACTS (AND HIGHER CARRYING CHARGES) ARE CONSIDERABLY DISADVANTAGED.

4. WE THEREFORE INFORMED GOV. OCAMPO AND MRS. REYES DURING THEIR VISIT HERE THAT TO OUR GREAT REGRET, WE BELIEVE ONLY WORKABLE SOLUTION IS TO FOLLOW GUIDELINES, FOR L/C OPENINGS SPECIFIED IN ASSURANCES. MEETING WITH OCAMPO AND REYES REPORTED SEPTEL.

5. IN ANSWER TO REF C, WE HAVE NO RELUCTANCE TO REACT ON STARK TAYLOR - SOLID MILLS PROBLEM AND WE ARE AWARE OF PRINCIPLE INVOLVED. HOWEVER, WE BELIEVE IT NECESSARY TO OBTAIN STARK TAYLOR'S ACCOUNT OF TRANSACTION BACKED UP BY WHATEVER DOCUMENTS HE HAS BEFORE REACTING. KISSINGER

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